



NEDBANK

Reviewed financial results

for the six months ended 30 June 2006

These results and additional information are available on our website: www.nedbankgroup.co.za

Share code: NBKP ISIN code: ZAE00043667

Overview

Nedbank is a wholly owned subsidiary of Nedbank Group Limited, which is listed on the JSE Limited. These consolidated financial results are published to provide information to holders of Nedbank's listed non-redeemable non-cumulative preference shares.

Commentary relating to the consolidated Nedbank financial results is included in the Nedbank Group Limited group results, as presented to shareholders on 7 August 2006. Further information is provided on the website: www.nedbankgroup.co.za.

Board changes during the period

Warren Clewlow retired as a non-executive director and Chairman after reaching the mandatory retirement age (4 May 2006). The Chairman designate, Dr Reuel Khoza, succeeded Warren Clewlow as Chairman (4 May 2006). Julian Roberts resigned as a non-executive director (5 May 2006) following his appointment as Chief Executive Officer and a director of Old Mutual plc's subsidiary, Skandia.

Accounting policies

The group's principal accounting policies have been applied consistently and these Nedbank financial results have been prepared in accordance with IAS 34: Interim Financial Reporting.

Restatements of 2005 results

The group's balance sheet for the June 2005 reporting period was restated, in line with the final 2005 year-end adjustments, to reflect the requirements of reporting under IFRS. These restatements, after the 3 May 2005 SENS announcement on the transition to IFRS, are reflected in the accompanying table as follows:

- The group changed its treatment of operating leases with fixed escalations from previously being expensed on a cash basis to being expensed on a straight-line basis in terms of circular 7/2005 issued by the South African Institute of Chartered Accountants on 2 August 2005 and in accordance with IAS 17: Leases.
- The International Accounting Standards Board issued the fair value option (FVO) amendment to IAS 39: Financial Instruments: Recognition and Measurement. The FVO amendment defines the criteria under which an entity is permitted to designate a financial instrument at initial recognition as being at fair value through profit or loss (FVTPL).

Previously the group fair-valued certain assets and liabilities, with the intention of eliminating any accounting mismatch. These instruments were designated as held-for-trading on transition or inception. The FVO amendment changed this and the FVTPL designation was applied. Any one of the following conditions need to be met to designate a financial instrument as at FVTPL:

- accounting mismatch – this eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising gains or losses on such assets using a different basis; or

Nedbank Limited Reg No 1951/00009/06 Incorporated in the Republic of South Africa

– documented risk management or investment strategy – where a group of financial assets and liabilities is managed and performance is evaluated on a fair-value basis and this is documented and reported internally on this basis; or

– embedded derivatives – where the financial instrument contains an embedded derivative, which significantly modifies the cash flows of the host contract or where the embedded derivative would clearly require separation.

Nedbank Group, in line with Old Mutual plc, early-adopted the FVO amendment to IAS 39 as from 1 September 2005 and restated its results as of 1 January 2004. The group reviewed all previously designated assets and liabilities which were classified as held-for-trading, and all assets and liabilities that did not meet the required criteria were de-designated.

3. Previously the group did not consolidate its disability fund in the results. In terms of IAS 27: Consolidated and Separate Financial Statements, the disability fund was incorporated as at 31 December 2005 and comparative figures were restated from 1 January 2004.

4. In terms of IAS 1: Presentation of Financial Statements, the group chose, as at 31 December 2005, to present assets and liabilities on the face of the balance sheet in order of their liquidity. Therefore mandatory deposits in terms of the SARB regulations were reclassified from cash and cash equivalents to a separate line on the face of the balance sheet.

5. Foreign exchange spot trades were reclassified, as at 31 December 2005, from derivative financial instruments to either other assets or other liabilities on the balance sheet.

6. In previous periods loans to associates and joint ventures were included in the carrying value of associate investments and from 31 December 2005 these loans were reclassified on the balance sheet to be included in loans and advances.

7. Deferred revenue was previously disclosed separately on the balance sheet and from 31 December 2005 was reclassified against the individual loans and advances to which it relates.

8. The first-time consolidation of a subsidiary on 1 January 2004 resulted in realised reserves of R132 million being incorrectly classified as available-for-sale reserves. These reserves were reclassified in the December 2005 balance sheet as distributable reserves from 1 January 2004, with no effect on overall equity attributable to ordinary shareholders.

9. Segmental reporting comparative results were restated for 2005 to take account of the ongoing changes for improved profitability measurement. The restatements relate to the introduction, during 2006, of the allocation of the group's STC costs in respect of dividends payable to each cluster, based on profitability, and the alignment of Imperial Bank's contribution, net of minorities, to exclude all group profitability measurement adjustments.

The above restatements have no effect on the June 2005 income statement or the earnings per share calculation.

* At 30 June 2005 interest and similar income has been restated from R12 208 million to R11 374 million interest expense and similar charge has been restated from R7 853 million to R7 019 million for the reallocation of intergroup interest, with no effect to net interest income of R4 355 million.

Reviewed results – auditors' opinion

The company's auditors, KPMG Inc and Deloitte & Touche, have reviewed these results and their review opinion is available for inspection at the company's registered office.

Nedbank non-redeemable non-cumulative preference shares – declaration of dividend no 7

Notice is hereby given that preference dividend no 7 of 39,27740 cents per share has been declared for the period from 1 January 2006 to 30 June 2006, payable on Monday, 4 September 2006, to shareholders of the non-redeemable non-cumulative preference shares recorded in the books of the company at the close of business on Friday, 1 September 2006.

In accordance with the provisions of STRATE, the electronic settlement and custody system used by the JSE Limited, the relevant dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Friday, 25 August 2006
Shares trade ex dividend	Monday, 28 August 2006
Record date	Friday, 1 September 2006
Payment date	Monday, 4 September 2006

Share certificates may not be dematerialised or rematerialised between Monday, 28 August 2006, and Friday, 1 September 2006, both days inclusive.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Shareholders who have dematerialised their share certificates will have their accounts, at their CSDP or broker, credited on Monday, 4 September 2006.

For and on behalf of the board

RJ Khoza Chairman
TA Boardman Chief Executive
7 August 2006

Registered office: Nedbank Sandton, 135 Rivonia Road, Sandown, 2196; PO Box 1144, Johannesburg, 2000

Transfer secretaries: Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107

Directors: Dr RJ Khoza (Chairman), Prof MM Katz (Vice-chairman), ML Ndlovu (Vice-chairman), TA Boardman* (Chief Executive), CJW Ball, MWT Brown*, RG Cottrell, BE Davison, N Dennis (British), MA Enus-Brey, Prof B de L Figaji, RM Head (British), JB Magwaza, ME Mkwana, CML Savage, GT Serobe, JH Sutcliffe (British) * Executive

Company Secretary: GS Nienaber Sponsors: Investec Bank Limited, Nedbank Capital

A Member of the OLD MUTUAL Group

Consolidated income statement

for the period ended	Reviewed June 2006	Reviewed June 2005*	Audited December 2005
Rm			
Interest and similar income	12 118	11 374	22 574
Interest expense and similar charge	7 253	7 019	13 878
Net interest income	4 865	4 355	8 696
Impairment charge on loans and advances	804	597	987
Income from lending activities	4 061	3 758	7 709
Non-interest revenue	4 073	3 288	7 524
Operating income	8 134	7 046	15 233
Total expenses	5 369	4 921	10 564
Operating expenses	5 304	4 869	10 265
Merger and recovery programme expenses		52	121
BEE transaction expenses	65		178
Indirect taxation	151	161	213
Profit from operations before non-trading and capital items	2 614	1 964	4 456
Non-trading and capital items	250	2	833
Impairment of goodwill			(1)
Profit/(loss) on sale of subsidiaries, investments and property and equipment	260	(14)	934
Net impairment of investments, property and equipment and capitalised development costs	(10)	16	(100)
Profit from operations	2 864	1 966	5 289
Share of profits of associates and joint ventures	17	30	67
Profit before direct taxation	2 881	1 996	5 356
Direct taxation	785	387	898
Taxation on non-trading and capital items	33		37
Profit for the period	2 063	1 609	4 421
Attributable to:			
Profit attributable to equity holders of the parent	1 951	1 533	4 228
Profit attributable to minority interest – ordinary shareholders	112	76	193
Profit for the period	2 063	1 609	4 421

* Restated

Consolidated balance sheet

as at	Reviewed June 2006	Reviewed June 2005	Audited December 2005
Rm		Restated	
Assets			
Cash and cash equivalents	8 587	7 911	10 586
Other short-term securities	13 347	14 054	9 496
Derivative financial instruments	11 154	12 373	12 534
Government and other securities	20 646	24 122	22 505
Loans and advances	278 447	245 751	249 969
Other assets	6 110	5 694	5 088
Clients' indebtedness for acceptances	1 617	1 396	1 248
Current taxation receivable	119	173	119
Investment securities	2 595	2 501	2 419
Non-current assets held for sale	7	48	66
Investments in associate companies and joint ventures	390	482	397
Deferred taxation asset	125	1 306	626
Investment property	71	119	87
Property and equipment	3 127	2 682	3 039
Post-employment assets	1 279	1 166	1 225
Computer software and capitalised development costs	1 226	1 281	1 281
Mandatory reserve deposits with central bank	6 026	5 755	5 732
Goodwill	563	540	563
Total assets	355 436	327 354	326 980
Total equity and liabilities			
Ordinary share capital	27	27	27
Ordinary share premium	14 422	13 945	14 422
Reserves	7 631	4 074	6 263
Total equity attributable to equity holders of the parent	22 080	18 046	20 712
Preference share capital and premium	2 770	2 770	2 770
Minority shareholders' equity attributable to – ordinary shareholders	828	706	872
– preference shareholders	300		
Total equity	25 978	21 522	24 354
Derivative financial instruments	14 260	14 579	15 463
Amounts owed to depositors	290 152	274 677	271 244
Other liabilities	11 976	5 667	5 224
Liabilities under acceptances	1 617	1 396	1 248
Current taxation liabilities	371	209	333
Deferred taxation liabilities	742	888	774
Post-employment liabilities	1 124	1 085	1 067
Long-term debt instruments	9 216	7 331	7 273
Total liabilities	329 458	305 832	302 626
Total equity and liabilities	355 436	327 354	326 980
Guarantees on behalf of clients excluded from assets	12 798	9 352	11 064

Cash flow statement

for the period ended	Reviewed June 2006	Reviewed June 2005	Audited December 2005
Rm		Restated	
Cash generated by operations	3 821	2 855	6 673
Change in funds for operating activities	(6 524)	1 823	1 291
Net cash (used in)/generated from operating activities before taxation	(2 703)	4 678	7 964
Taxation paid	(198)	(306)	(725)
Net cash (used in)/generated from operating activities	(2 901)	4 372	7 239
Net cash (used in)/generated from investment activities	(387)	184	(302)
Net cash generated from/(used in) financing activities	1 583	(472)	(201)
Net (decrease)/increase in cash and cash equivalents	(1 705)	4 084	6 736
Cash and cash equivalents at beginning of the period*	16 318	9 582	9 582
Cash and cash equivalents at end of the period*	14 613	13 666	16 318

* Including mandatory deposits with central bank

Statement of changes in equity

Rm	Ordinary shareholders' equity	Preference shareholders' equity	Minority attributable to preference shareholders	Minority attributable to ordinary shareholders	Total shareholders' equity
Balance at 31 December 2004	16 670	2 770	245	559	20 244
Additional effect of adopting IFRS	(120)			(1)	(121)
Restated balance at 31 December 2004	16 550	2 770	245	558	20 123
Net income recognised directly in equity	283			72	355
Foreign currency translation reserve movement	60				60
Available-for-sale reserve movement	234				234
Capitalisation of minority				70	70
Other movements	(11)			2	(9)
Profit for the period	1 533			76	1 609
Dividends paid to ordinary shareholders	(204)				(204)
Dividends paid to preference shareholders	(116)				(116)
Redemption of preference shares			(245)		(245)
Balance at 30 June 2005	18 046	2 770		706	21 522
Net income recognised directly in equity	(74)			50	(24)
Foreign currency translation reserve movement	4				4
Available-for-sale reserve movement	(276)				(276)
Revaluation of owner-occupied property	153				153
Share based payments reserve movement	28				28
Capitalisation of minority				37	37
Other movements	17			13	30
Profit for the period	2 695			117	2 812
Dividends paid to ordinary shareholders	(320)			(1)	(321)
Dividends paid to preference shareholders	(112)				(112)
Issues of shares net of expenses	477				477
Balance at 31 December 2005	20 712	2 770		872	24 354
Net income recognised directly in equity	(73)			1	(72)
Foreign currency translation reserve movement	26				26
Available-for-sale reserve movement	(124)				(124)
Share based payments reserve movement	55				55
Other movements	(30)			1	(29)
Profit for the year	1 951			112	2 063
Dividends paid to ordinary shareholders	(400)			(7)	(407)
Dividends paid to preference shareholders	(110)				(110)
Shares issued/(repurchased) by subsidiary			300	(150)	150
Balance at 30 June 2006	22 080	2 770	300	828	25 978

Segmental analysis by operation

for the period ended	Reviewed June 2006	Reviewed June 2005	Audited December 2005	Reviewed June 2006	Reviewed June 2005	Audited December 2005	Reviewed June 2006	Reviewed June 2005	Audited December 2005
	Rbn Total assets	Rbn Total assets	Rbn Total assets	Rm Operating income	Rm Operating income	Rm Operating income	Rm Headline earnings	Rm Headline earnings	Rm Headline earnings
Nedbank Corporate	149	129	138	3 529	2 872	6 223	1 214	885	1 894
Nedbank Capital	132	116	117	1 387	1 135	2 442	576	427	971
Nedbank Retail	108	86	96	3 975	3 346	7 208	711	419	896
Imperial Bank	26	18	22	427	315	740	89	57	147
Shared Services	7	9	9	23	162	306	(98)	(29)	104
Central Costs	13	18	15	(437)	(475)	(823)	(388)	(361)	(845)
Eliminations	(50)	(40)	(45)	(80)	(70)	(147)			
Total per Nedbank Group	385	336	352	8 824	7 285	15 949	2 104	1 398	3 167
Fellow-subsubsidiary adjustment	(30)	(9)	(25)	(690)	(239)	(716)	(370)	133	265
Total	355	327	327	8 134	7 046	15 233	1 734	1 531	3 432

Geographical segmental reporting

for the period ended	Reviewed June 2006	Reviewed June 2005	Audited December 2005	Reviewed June 2006	Reviewed June 2005	Audited December 2005
	Rm Operating income	Rm Operating income	Rm Operating income	Rm Headline earnings	Rm Headline earnings	Rm Headline earnings
Rm						
South Africa	8 240	6 704	14 834	1 984	1 210	2 884
Business operations	8 237	6 539	14 708			